

Assessment Of Corruption Risk Factors On Government Revenue: The Case Of Revenue And Customs Sector Of Metema District, Northwest Ethiopia.**Abeyou Molla;**

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Abstract

Corruption is common in Ethiopia public sectors. Corruption is very serious in Revenue and customs sector of Metema district. This research has intended to explore the phenomenon, the nature and forms of public sector corruption revenue and custom sector in Metema town. The overall objective of this study was to assess the perceptions of public organizations towards corruption risk factors up on revenue and custom sector in Metema town. The research is explanatory in nature and hence qualitative approach was employed. Both primary and secondary data was used as a source of information. Interview was used to collect primary data. Primary data was gathered and analyzed from concerned government officials, Business enterprises and civil servants working in key positions. Secondary data from the Transparency International, world bank principles and Federal Ethics and Anti-Corruption Commission was used. The data was analyzed by using qualitative techniques. The findings from this study revealed that corruption has become a serious problem of Metema Town. In revenue and custom sector, Extortion, bribery, embezzlement, and fraud were reported as the most widespread forms of corruption. Moreover, the study has depicted that workers dissatisfaction; poor moral fiber, lack of implementation, and lack of human capital were identified as major causes of corruption in Metema. Both the employees and officials of revenue and custom sector of the town perceived that the nature of the work performed, working condition, and organizational culture have been identified as the first and the second major corruption risk factors respectively in revenue and custom sector. Moreover, the poor cooperation mechanisms of the town and absence of effective anti-corruption strategies are responsible for the prevalence of public sector corruption in Metema town. Then, the Revenue and custom sector expected to adopt effective and transparent control mechanisms and work in cooperation with the other public sectors.

Background Of The Study

Corruption is defined in several ways. Transparency International, the leading global organization fighting corruption, defines corruption as “*the misuse of public office for private gain*” (World Bank 2011). Corruption in public sector is manifested when the entrusted public administration power is abused by either nominated or assigned officials, individuals for their private gain and they are challenged by their greed personal interests to take or extorts a bribe and when secretive offer of bribes to public official (ERCA, 2008).

World Bank (2011) stated that, Customs sector plays an important role in making important investment decisions. Without an efficient and effective national Customs administration, governments will not be able to meet their policy objectives in respect of revenue collection, trade facilitation, trade statistics, and the protection of society from a range of social and national security concerns (World Bank, 2011).

For the poor are highly dependent on public service and least capable of paying extra costs associated with bribery, fraud and misappropriation of economic privileges, corruption affects the poor disproportionately (Pieter Bottelier 1998).

However, Transparency International's (2012) describes corruption as the most insidious product of poor governance such as lack of accountability, responsiveness, and transparency public sectors (Davis J., 2003). complex service delivery system; less transparency in public sectors; and poor compliant handling mechanism for Revenue and Custom Sector and political wills or political

pressures that exist in a country are a common contributing factors for corruption in Customs and Revenue sector (TI, 2012).

In Transparency International's Corruption Perception Index for 2005, Ethiopia ranked 137 out of 158 countries and its civil services were considered as bureaucratic, inefficient, and lacking transparency and good governance (Pathak J, et al., 2008). Corruption is believed to be rampant in areas where financial resources are transferred from the private to the public sector and vice versa. Corruption intertwines with poverty and misuse of development resources and maintains the vicious circle of poverty in countries like Ethiopia (FEACC 2009). This also true for Metema town where corruption affects healthy provision Custom and Revenue sector service and intensify the crucial challenge of Custom and Revenue governance.

Some researchers have conducted a study on corruption in different sectors but most of them indicate how to curb corruption and increase transparency, accountability, responsiveness, & integrity in public service delivery (Pathak J, et al, 2008). Shimelis, (2005), has conducted a study on major challenges faced by the federal government of Ethiopia in fighting against corruption. He revealed that the government of Ethiopia has started to tackle the challenges of corrupt practices at all level by establishing the Anti-corruption Commission and Institutionalization of the Civil Service Reform Program. Even though some encouraging efforts were made to combat corruption in the public sector, still there is a major challenge of combating corruption in such public sector (FEACC, 2011). However there is knowledge gap on risk factors of public sector corruption practices in the study area. This is also pointed out by Pathak J, et al, (2008). He said that research is needed on corruption practices especially on the forms, scopes and risk factors of public sector corruption that occurs and afflicts Revenue and Customs sector service delivery Therefore, this research was mainly aimed to assess the current situation of public sector corruption, forms and risk factors in Metema town Customs and Revenue sector.

It is with this background of the problem statement, that the study was conducted to address the following research questions:

- ❖ What are the forms of public sector corruption in Metema?
- ❖ What is the scope of public sector corruption in Metema?
- ❖ How do public officials and civil servants perceive corruption risk factors?

Research Methods

The study were employed a qualitative approach in dealing with corruption risk factors. Qualitative research is exploratory in nature – its methodologies allow for a richer and more in-depth understanding why people think, feel, react and behave about the phenomenon of corruption risk factors. It is helpful in building meaningful relationships between the researcher and common people; focuses on the interpretation of the perception of people and explores the problems customers encounter, or misunderstandings customers have in finding information (Creswell, 2012). The study was designed analyze the phenomenon of corruption in Metema and risk factors that optimize and perpetuate corruption at workplaces in the public sector.

Description of the study area

The study was conducted in Metema district, which is found in northwestern Ethiopia. Metema is situated about 925 km northwest of Addis Ababa and east of Sudan Nation. Metema is a border district and it accounts to more than 60 km of the international boundary that Ethiopia shares with Sudan.

Metema is located between 12° 40' 00" N latitude and 36° 8' 00" E longitudes with an elevation of 685 meters above sea level (IPMS, 2005). The area is semi-arid and the people in the area grow a variety of crops for home consumption and sale. The mean annual temperature is about 31 °C.

There is an immense potential crop production area and high consumer demand. Livestock production is an integral part of the production system. Production of cattle (milk, meat), goat (meat) and poultry is a common practice. Cattle were exported formally & informally (smuggled) to Sudan, while goats are mainly sold in local markets. (ILRI, 2005)

According to CSA (2007), there are 79,905 rural persons and about 28,489 urban persons. According to this estimate, the total population of the district was 108,394 people. Out of the total 29,000 households, 9,049 and 19,951 are urban and rural households, respectively.

Data sources and collection instruments

In this work, both primary and secondary data sources are collected. These were interviews and content analysis of relevant documents. Both data sources are essential to understand the complex issues of corruption and it requires critical understanding from different perspectives.

Primary Sources: The Interviews took a form of open ended questionnaire. Revenue and Customs Sector, the town administer, Court of the town, Police sector of Metema, Capacity building, the business enterprises, and Civil Society were major sources of data. Besides, Interviews were held also with civil servants of Revenue and Customs sector of the town to acquire their perception on risk factors of corruption. Revenue and customs sector is selected, deliberately, since according to the Survey undertaken by Institute of Educational Research (2001), it is rated as one of the most corrupt government institutions in Ethiopia.

Open-ended questions were employed to allow respondents to express their views without reticence. Sets of instruments of enquiry were designed and used for officials and civil servants in Revenue and Customs Sector, anti corruption office and general questions for other officials. Positions and experience to the issue were taken into account to select respondents. The number of interviews initially plan were 15.

Secondary Data: Secondary data sources were retrieved from books, articles, World Bank Journals, Transparency International journals, annual reports of Federal Ethics and Anti Corruption Commission. The study intensively used these secondary sources of data which are abundant in size and too valuable.

Data analysis techniques

The data was analyzed using qualitative techniques. As such, the data obtained through interview was analyzed in connection with the existing literatures. Explanatory approach was employed to analyze the qualitative data.

Results and Discussion

The analysis and discussion part was organized to address the issue of corruption risk factors on government revenue.

Nature of public sector corruption in Metema

This research has tried to assess workplace corruption in Revenue and Custom Sector. According to the Head of the Court of the district, corruption is a big problem in Metema, due to this the people are suffering from it. Corruption is rampant in Revenue and Custom Sector. The head of capacity building of the district stated that currently, private sector workers revealed corruption exists in all sectors of government at varying degrees irrespective of the efforts.

Town administrative department of Police pointed out that:

“Corruption is taking place in government institutions by not only single actor but also a combination of those involved from both within and outside of the institutions. Petty corruption is

rampant in areas of traffic police, utility companies, file clerks, and guards. Government offices have undertaken the process of service delivery as transparent as possible due to Civil Service Reform Program. It lacks to exercise the implementation of this system”.

The study confirms that petty corruption takes place in the process of service delivery in offices, hospitals, schools, local licensing bureaus, police, tax offices, etc. (Kindra and Stapenhurst 1998).

According to the interview results conducted with employees of Revenue and Custom Sectors:

“The very practice of corruption in the Revenue and Custom Sectors began in a form of a tip for good work mal-practiced by the staff. The business enterprises pay Revenue and Custom Sector officers for the normal services they provide and official duties they perform. Later on, things changed and Revenue and Custom Sectors began to discriminate between those who tip them and who do not. They began to provide timely services only to those who grant them payment. Consequently, expecting illicit payments became the norm”.

Some studies presented that accepted and expected practices of gift-giving, tipping and patronage exist in most societies, even when such habits may be illegal. Generally, such practices impose hidden costs on public services and/or confuse the distinction between public and private (FEACC. 2011).

As Treisman, (2000) offered a corrupt civil servant regards his public office as a business, the income of which he will ...seek to maximize. The office then becomes a "maximizing unit." The size of his income depends...upon the market situation and his talents for funding the point of maximal gain on the public's demand curve (Treisman, 2000).

According to the interview with the members of police department:

“Corruption takes place in Revenue and Custom Sectors in different forms. It differs based on the type of activity performed or service rendered. At head office level, there is no relationships with custom documents and hence no tax service. At the head office level, rules, regulations, and procedures are developed; manpower recruitment, promotion, placement and the like take place”.

According to the Anti corruption and Ethics Officer of the town, the major forms of corruption taking place in the town are favoritism and bribery as elsewhere in other sectors in the country.

The discussion with city administrator:

“The officers may impose high or low tariff unfairly, charge high tax goods at low tax rate, facilitate refund dishonestly, approve declaration that is at variance with the actual goods imported, and allow goods to enter tax-free illegally. Not all these activities are the responsibilities of only one officer. Various officers participate in the processes involved”.

Forms of Corruption in Revenue and Custom Sectors

The main forms of public sectors corruption in Revenue and Custom Sector considered are bribery, patronage, shirking, embezzlement, Self-dealing, fraud, favoritism, and extortion. Henceforth, the study thematically dealt with these basic forms of corruption.

1) Fraud

As per the interview made with employees of Revenue and Custom Sector, the Revenue and Custom Sector officer then determines the true value of the goods according to the modes and methods in place. The private business enterprise benefits much from such fraud by paying lesser to the government. The Revenue and Custom Sectors officer is paid some amount by the business enterprise for allowing the Revenue and Custom clearance at a lowered value.

2) Bribe

According to the interviews conducted with Revenue and Custom Sector officers, they revealed that most of the time some officers accept forged certificate offices. One key informant from the Revenue and Custom sector office of Metema town has said that

"The goods with high tariff rate are presented to the Revenue and Custom Sector officer in the customs declaration tariff number with reduced rate. The customs officer, receiving a bribe, accepts the false classification and allows the trade of the goods".

Bribes may be paid in general to get access to scarce resource, to reduce or avoid cost, to access inside information that can reduce cost or increase benefit, to secure monopoly, to impose a cost on someone else, etc., (Kindra and Stapenhurst 1998:8).

3) Extortion

Another key informant from Revenue and sector office of Metema town has pointed out that *"Revenue and Custom Sector officers deliberately delay Revenue and Custom clearance, in which case the customers is forced to pay bribes in order to speed-up the process for the delay incurs cost in terms of loss of market, storage rent, etc. The Revenue and Custom Sector officers extort illegal benefit by speeding up customs and revenue clearance for those who pay an informal payment"*.

As Amundesen (1999) stated, "the Officials is the strongest force in society. The public official uses the state apparatus as an instrument of extracting resources from society, and it does so for the benefit of the rulers." Rulers can also extract resources from private sector businesses with concealed threats by imposing strict taxation, overtly delayed licenses, repeated and brutal police inspections or other measures.

4) Embezzlement

According to the anti corruption Officer of the town,

"Officers from the Revenue and Custom Sector issuing licenses and permits. Revenue and Custom Sector officers responsible for sale of duty free items in big hotels and shops may also commit corrupt practices by appropriating items not taken by those that have the privilege by tampering with documents.

Town administrative department of Police revealed that:

"Justice system is very slow and as a result the goods remain in storehouses for longer periods thereby being exposed to theft. Some customers pay the rent properly while others do not. Big stores are highly vulnerable to misappropriation".

This study is similar with Amundesen (1999) finding revealing "Embezzlement can be extended to massive extraction of public property by power-holders that systematically exploit their political office for their own private business interest" (Amundesen, 1999).

Major Sources of Corruption in Metema town

According to the city administrator of the town, officers in Revenue and Custom Sector still lack the capacity and professional work ethics. In identifying major sources of corruption, interviews were made with both heads and employees of the Revenue and Custom Sector. Accordingly, study has identified the following corruption risk factors.

1. Workers Dissatisfaction: As per the consultation made with employees of Revenue and Custom Sector, the Agency does not pay adequate salary to its staff. This may force some employees to fill the gap in their incomes by resorting to corruption. The discussion with interviewed employees is that there is no job security and lack of incentive mechanisms. Consequently, many new workers that have been employed by Revenue and Custom Sector are leaving for they have neither job security nor satisfaction. The low pay plus the unpleasant living conditions may lead them to engage in corruption.

Employees who are unhappy or dissatisfied at work are more likely to commit workplace crime than others do. According to Gorta (1998), the disputed role of remuneration and its relationship to need, lack of benefits for remaining with employer, employee dissatisfaction, and work pressures are among the working conditions that have the potential to cause corruption.

2. Poor Moral fiber: According to the head of Revenue and Custom Sector stated, most of employees are lacking of good behavior. Most newly recruited employees of the office enrich themselves illegally. Some employees come to Revenue and Custom Sector leaving their better salary anticipating to get much more through corruption. According to the anti corruption Officer of the town, the customs and revenue office announced all the detailed structures of the office to the customers but they do not act accordingly. Most customers prefer to bribe officers for getting timely service.

Wahn (1993) examined the relationship between dependence on employer and willingness to engage in unethical behavior. He found that "individuals who are more dependent on their employing organizations are more likely to comply with organizational pressures to behave unethically" (cited in Gorta 1998).

3. Lack of Implementation: According to the Anti Corruption Officer, there is no system that detects of corruption. There are problems related with very low degree of enforcement. People are not punished for offences they committed. They are not prosecuted and even if prosecuted the trial is too slow and long.

The amount one has to lose if caught stealing from the organization is a factor for occurrence of workplace corruption. That is how much are employees interested to remain with the employer? According to Hollinger and Clark (1983), "in the employment setting the younger employee clearly has much less to lose than his older coworker if apprehended and punished for theft" (cited in Gorta 1998).

4. Lack of Human Capital: The professional qualification of the employees of Revenue and Custom Sector is very low. The majority of the staffs are not qualified. As the Anti Corruption Officer, staffs in Revenue and Custom Sector are incapable to change and are not adaptable to the changing environment.

Some researchers have found that the lower the quality of qualified professionals, the higher the level of corruption (Gupta 2000).

Overview of current ways of combating Corruption in Customs and Revenue Office

The government institutions in Ethiopia have no strategy to fight corruption. Lack of a transparency, and poor headship, aggravates corruption in the country. As to the investigation of Federal Ethics and Anti Corruption Commission, government institutions are not cooperatives with regard to providing evidence for investigation purpose. The research has assessed the strategies for combating corruption within Revenue and Custom Sector of Metema town.

The Reform Program of the government that does not pay much attention to corruption prevention strategy hardly expected to mitigate problems associated with corruption. The Revenue and Custom Sector has tried to make law enforcement mechanisms operational. However, the discussions with the employees of the Revenue and Custom Sector, the strategy is ineffective because the investigation has no a check and balance system and the prevention aspect is neglected.

The officials and employees of the Revenue and customs sector are perceived that the task of fighting corruption in the Revenue and customs sector is not their task but the duty of Anti corruption

Offices. Some employees are not comfortable with the Anti corruption Offices officers and hence inadequate support for the Anti corruption Offices officer. As the officials of the Revenue and customs sector, some Anti corruption Offices officers lack capacity and are not performing up to the expectation of their responsibility. But as several studies (Gorta 1998) suggested, employees assuming a watchdog role consider reporting acts of misconduct as part of their job.

The Revenue and customs sector have not coordination with the private sector, government institutions, and civil society organizations. As the head of the Court, Almost all government institutions of the town does not properly know the mandate of the other. As Anti corruption Offices, for example, so many vehicles are imported illegally. The Transport and Road Authority also, incidentally, cooperates in the crime by providing plate numbers, which facilitates the transfer of the vehicles to non-eligible. According to private enterprise representatives, there are only rare requests that the court decided in favor of cases presented by Revenue and customs sector. Therefore, there is a need to harmonize the workings of all these regulatory institutions to work toward the same goal, at least, without one contradicting the other.

Conclusion and Recommendations

The study found out that all major forms of corruption (bribery, fraud, extortion, and embezzlement) are evident in several modes. The study identified major sources of corruption that optimize occurrence of corruption in Revenue and customs sector into five risk factors. These are workers dissatisfaction, poor moral fiber, lack of implementation, and lack of human capital.

The study identifies strategies to the problem of public sector corruption like incentives, deterrence, and administrative modifications as a means to curb the problem. This research has found out that the cooperation system is not strong in Metema. Revenue and customs sector is found not operating coordination with the private sector, government institutions, and civil society organizations.

The study revealed that officials and employees of Revenue and customs sector is that the task of fighting corruption in the Revenue and customs sector is not theirs but the duty of the anti corruption office. The study has found out also that no proper attention has been given to the importance of reporting cases of corruption and impropriety.

Every government institution should have anti-corruption strategy specific to own objectives. The strategies should include effective and transparent control mechanisms, enhancing professional training, and putting effective corruption reporting systems in place. Training should organize for revenue and custom workers, judges and other court official not only improves their abilities to discharge their official duties but also improve their sense of responsibility.

The public sectors, the private sector and civil society, should form cooperation against corruption. Anti corruption office should play a leading role in building such cooperation and the office should be independent, professional and impartial. It requires also committed and competent leadership and staff. Moreover, customs processes should be reduced and operations professionalized with a focus on competence and integrity. Existing administrative structures needs to be revisited. Last but not least, the Revenue and custom sector expected to work in cooperation with the other public sectors.

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